

NATURAL GAS PRICES FOR WINTER 2005-2006

The Utah Division of Public Utilities works with the Utah Public Service Commission and others to try to ensure that natural gas rates are as fair as possible. The Division has received many inquiries and complaints about high natural gas prices. We hope this letter will help customers understand why prices have gone up, and we have included information on how customers may be able to get help with winter bills.

Natural gas is an unregulated commodity. Natural gas prices are subject to the free marketplace and laws of supply and demand. Recent price increases have several causes:

- hurricane activity, which has shut off the flow of a significant amount of gas coming into the market;
- unseasonably cold weather in some parts of the country; and
- the move by electric utilities to shift away from coal and towards more natural gas to generate electricity, because of its environmental benefits.

Governor Jon M. Huntsman, Jr., recently called for Federal investigations into national markets to ensure that there is no market manipulation and that the markets are working fairly.

Approximately one-half of the natural gas that Questar Gas Company uses to serve its customers must be purchased in the markets, at market prices. Under Utah law, the company is entitled to “pass through” these costs on a dollar-for-dollar basis, and it makes no profits on the gas.

The other half of the gas that Questar uses to serve its customers is company-owned gas for which customers are charged far less than market prices. Utah is unique in this way. In most other states, where natural gas utilities must buy all of their gas at market prices, customers are seeing increases of up to 70% over last year. In that time, Utah’s prices have increased approximately 38%. Despite the recent increases, *Utah’s rates, as always, are still among the lowest in the nation.*

Utah’s utility regulators thoroughly investigate the utility’s gas costs and what it charges its Utah ratepayers. We require Questar Gas to employ a hedging program to help manage fluctuating market prices, and we audit the company’s books and records regularly to ensure that they recover only the appropriate amounts.

The news media has been reporting that Questar Corporation has been making record profits this year. Questar Corporation is the parent company of Questar Gas, the utility that provides service to Utah customers. Questar Corporation and its other subsidiaries are largely unregulated. Several years ago, the Federal government deregulated the exploration and production of natural gas. Those unregulated affiliates of parent Questar Corporation are making the profits that are in the news, not Questar Gas, whose profits are regulated and limited by the state of Utah. We investigate thoroughly and regulate Questar Gas to make sure that it makes only modest profits.